

**Agency Budget Comparison**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	756.58	756.58	751.58	751.58	756.58	751.58	(5.00)	(0.66%)
Estimated Impact of HB 2*			(31.44)	(31.44)		(31.44)	(31.44)	
<b>Net Estimated FTE*</b>			<b>720.14</b>	<b>720.14</b>		<b>720.14</b>	<b>(36.44)</b>	
Personal Services	40,122,529	42,222,224	42,238,374	42,288,058	82,344,753	84,526,432	2,181,679	2.65%
Operating Expenses	21,438,114	23,569,354	22,905,751	23,017,418	45,007,468	45,923,169	915,701	2.03%
Equipment & Intangible Assets	122,027	274,234	436,602	398,986	396,261	835,588	439,327	110.87%
Grants	11,535,458	11,779,098	11,565,453	11,565,525	23,314,556	23,130,978	(183,578)	(0.79%)
Benefits & Claims	91,464	74,840	91,464	91,464	166,304	182,928	16,624	10.00%
Transfers	484,630	357,757	454,199	454,199	842,387	908,398	66,011	7.84%
Debt Service	3,889	3,775	13,103	13,103	7,664	26,206	18,542	241.94%
<b>Total Costs</b>	<b>\$73,798,111</b>	<b>\$78,281,282</b>	<b>\$77,704,946</b>	<b>\$77,828,753</b>	<b>\$152,079,393</b>	<b>\$155,533,699</b>	<b>\$3,454,306</b>	<b>2.27%</b>
General Fund	1,474,826	1,483,665	1,285,371	1,311,124	2,958,491	2,596,495	(361,996)	(12.24%)
State Special	38,439,794	41,914,681	39,886,165	39,872,879	80,354,475	79,759,044	(595,431)	(0.74%)
Federal Special	33,823,455	34,794,419	36,533,410	36,644,750	68,617,874	73,178,160	4,560,286	6.65%
Other	60,036	88,517	0	0	148,553	0	(148,553)	(100.00%)
<b>Total Funds</b>	<b>\$73,798,111</b>	<b>\$78,281,282</b>	<b>\$77,704,946</b>	<b>\$77,828,753</b>	<b>\$152,079,393</b>	<b>\$155,533,699</b>	<b>\$3,454,306</b>	<b>2.27%</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

**Agency Description**

Agency Mission: The purpose of the Department of Labor and Industry is to promote the well-being of Montana's workers, employers, and citizens, and to uphold their rights and responsibilities.

The Department of Labor and Industry (DOLI) has a number of functions. In part, the department:

- o Serves as an employment agency, provides job training to assist individuals in preparing for and finding jobs, and assists employers in finding workers
- o Oversees federal and state training and apprenticeship programs
- o Conducts research and collects employment statistics
- o Administers the unemployment insurance program and disburses state unemployment benefits
- o Enforces state and federal labor standards, anti-discrimination laws, and state and federal safety-occupational health laws
- o Provides adjudicative services in labor-management disputes
- o Licenses, inspects, tests, and certifies all weighing or measuring devices used in making commercial transactions in the State of Montana
- o Provides administrative and clerical services to the 40 professional boards and occupational licensing programs authorized by state statutes
- o Establishes and enforces minimum building codes
- o Administers the federal AmeriCorps, Campus Corps, and Volunteer Montana programs through the Office of Community Services
- o Oversees and regulates the Montana Workers' Compensation system

Organizationally, the department is divided into five divisions: 1) Workforce Services; 2) Unemployment Insurance; 3) Commissioner's Office/Centralized Services; 4) Employment Relations; and 5) Business Standards. The Office of Community Services, Workers' Compensation Court, Board of Personnel Appeals, and Board of Labor Appeals are administratively attached. Under statute the Human Rights Commission is allocated to the Department of Labor and Industry for administrative purposes.

## Agency Highlights

<b>Department of Labor and Industry Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ 2015 biennium budget increases mainly due to increased personal services costs for vacant positions and broadband pay increase</li> </ul>

## Summary of Legislative Action

As shown in the agency budget comparison, the budget for DOLI increases 2.3% when compared to the 2013 biennium. Overall, the number of FTE supported in HB 2 declined by 5.00. The reduction was due to the net of two actions. The legislature:

- 1) Moved the Office of Legal Services within the Commissioner's Office from HB 2 to a proprietary fund, which reduced the FTE in HB 2 by 8.00; and
- 2) Approved personal service costs to support an additional 3.00 FTE within the Business Standards Division to eliminate contracts for the Medical Impairment Program and to provide the services within the division.

As a result, state special revenue appropriation authority for the division was reduced by \$151,800.

The majority of the increases in the budget are included as personal services. Changes adopted by the legislature included:

- Refunding of vacancy savings, minus 6%
- Annualization of broadband pay plan increases
- Funding statutorily required increases for longevity
- Personal service costs for the Medical Impairment Program

Operating costs for the agency increase by almost \$1.0 million between the two biennia. The majority of the increases are due to increased support for the operational costs of the Business Standards Division.

General fund for the agency declines as a result of a funding shift for the Human Rights Bureau. The legislature approved an additional \$0.5 million in federal funds for the bureau to reduce the amount of fund balance available to support the program, decreasing general fund by the same amount. State special revenue reductions are mainly due to the elimination of state special revenue for the Incumbent Worker Training Program included as part of the Governor's line item veto of HB 2. Federal revenues increase due to:

- \$1.0 million in increased support for the AmeriCorp grant supporting the Office of Community Services
- \$1.4 million in support for statewide present law adjustments which were supported by state special revenues in the FY 2012 base budget
- \$0.5 million for the Human Right Bureau switched from general fund

## *Bills to Implement Provisions of HB 2*

The Joint Appropriation Subcommittee on General Government requested committee bills (HB 627 and HB 591) to implement provisions of HB 2:

- 1) HB 591 increased fees for licenses of weighing devices to provide the Weights and Measures Bureau with additional state special revenues so that the bureau is able to replace outdated equipment and to update the metrology laboratory.
- 2) HB 627 failed to pass the legislature. It would have:
  - Expanded the uses of the employment security account (ESA) to include the Jobs for Montana Graduates Program (JMG) and to add career guidance and academic counseling programs to help student make decisions relating to career preparation as part of the research and analysis functions of the department. Funding for these programs remains in HB 2, and legislative legal staff states that statute likely allows

continued use of these funds for these purposes. HB 627 also expanded the uses of the funding to the Department of Commerce to support the New Worker Training Program.

- o Created a worker training and economic development account in the state special revenue fund. The purpose of the fund was to provide a source of revenue to fund the costs that the state incurs in programs for incumbent worker training. The Governor line item vetoed the \$1.3 million state special revenue appropriation for the Incumbent Worker Training Program in HB 2.

*Boilerplate*

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 31.44 FTE for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

**Funding**

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$2,596,495	\$0	\$0	\$2,596,495	0.6%
State Special Total	79,759,044	-	1,528,454	81,287,498	17.3%
Federal Special Total	73,178,160	-	-	73,178,160	15.6%
Proprietary Total	-	312,976,127	-	312,976,127	66.6%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
<b>Total All Funds</b>	<b>\$155,533,699</b>	<b>\$312,976,127</b>	<b>\$1,528,454</b>	<b>\$470,038,280</b>	
Percent - Total All Sources	33.1%	66.6%	0.3%		

The majority of the funding for the department is non-budgeted proprietary funding for unemployment benefits. State special revenue funds include the employment security account, individual accounts for each professional licensing board or program, and the uninsured employers fund. General fund supports activities within the Workforce Services Division and the Employment Relations Division.

The employment security account provides support to four of the agency’s divisions. Figure 1 shows the amount of funding provided to each division, the impacts of the additional vacancy savings of 2%, and the maximum potential impacts of HB 13.

Figure 3

Department of Labor and Industry Economic Security Account Including Potential HB 13 Impacts				
Revenues, Expenditures, Fund Balance	Actual FY 2012	Budgeted FY 2013	Budgeted FY 2014	Budgeted FY 2015
Beginning Fund Balance	\$9,428,160	\$9,508,080	\$5,376,414	\$119,026
Revenues				
Contributions/Premiums	14,994,621	15,427,000	15,942,000	16,475,000
BOI Investment Earnings	<u>34,701</u>	<u>24,396</u>	<u>5,000</u>	<u>5,000</u>
Total Revenues	15,029,323	15,451,396	15,947,000	16,480,000
Expenditures				
Department of Labor and Industry				
Workforce Services Division	9,886,884	10,619,281	9,058,064	9,058,117
Unemployment Insurance Division	3,389,198	3,667,627	3,777,656	3,777,656
Commissioner's Office	247,219	1,314,120	179,072	179,069
Employment Relations Division	1,435,729	1,482,034	1,507,401	1,507,433
House Bill 13 Impacts*	0	0	218,131	471,522
House Bill 2 Additional Vacancy Savings**	0	0	(135,936)	(136,124)
Department of Commerce				
Business Resources Division	<u>0</u>	<u>0</u>	<u>800,000</u>	<u>800,000</u>
Total Expenditures	14,959,031	17,083,062	15,404,388	15,657,673
Adjustments	9,628			
Ending Fund Balance	<u>\$9,508,080</u>	<u>\$7,876,414</u>	<u>\$5,919,026</u>	<u>\$941,353</u>
Unemployment Insurance Tax Modernization	0	2,500,000	5,800,000	700,000
Ending Fund Balance with IT project	<u>\$9,508,080</u>	<u>\$5,376,414</u>	<u>\$119,026</u>	<u>\$241,353</u>
* Calculated using funding percentages utilized to establish amounts in HB 13				
** Calculated using MBARS pay plan percentages				

The 2009 Legislature approved the unemployment tax modernization information technology project in HB 10 using \$16.7 million in employment security revenue bonding authority and \$3.0 million in federal revenues. The funding was approved as a long range IT project. As a long range IT project, the appropriation authority for the employment security revenue bonds does not revert at the end of the biennium but is continued until the bonds are issued and the project is completed or the legislature removes the authority through legislation. The agency recently issued a request for proposal on the project and is in the process of finalizing an agreement. The effects of issuing revenue bonds are also shown in the table. In addition, the legislature provided \$1.6 million of funding from this account for primary business sector training provided by the Department of Commerce.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,474,826	1,474,826	2,949,652	113.60%	73,798,111	73,798,111	147,596,222	94.90%
Statewide PL Adjustments	54,997	55,880	110,877	4.27%	3,953,858	4,150,267	8,104,125	5.21%
Other PL Adjustments	4,056	4,079	8,135	0.31%	1,443,616	1,490,841	2,934,457	1.89%
New Proposals	(248,508)	(223,661)	(472,169)	(18.18%)	(1,490,639)	(1,610,466)	(3,101,105)	(1.99%)
<b>Total Budget</b>	<b>\$1,285,371</b>	<b>\$1,311,124</b>	<b>\$2,596,495</b>		<b>\$77,704,946</b>	<b>\$77,828,753</b>	<b>\$155,533,699</b>	

The statewide present law adjustments provide for personal service adjustments including:

- Full funding of all positions, minus 4% vacancy savings
- Annualization of broadband pay plan increases
- Funding statutorily required increases for longevity

The adjustments also include increases for both fixed costs such as State Information Technology Services Division and rent adjustments, and decreases for gasoline.

Other present law adjustments include an additional \$1.1 million in federal authority for the AmeriCorp grant supporting the Office of Community Services and \$0.8 million in state special authority for operating costs associated with the Business Services Division.

Reductions approved as new proposals include:

- \$1.8 million in additional vacancy savings for the agency
- \$1.3 million of state special revenue appropriations for the Incumbent Worker Training Program vetoed by the Governor
- \$1.7 million in support for legal services within the Commissioner's Office that were switched to nonbudgeted proprietary funds with revenue generated through a rate charged to the various divisions within DOLI. This reduction was partially offset by increases within each division's budget for the costs of the proprietarily funded legal services of \$1.1 million in total funds

**Other Legislation**

**HB 13** – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

**HB 363** – This bill allows the Board of Realty Regulation to hire its own staff rather than have the division provide administrative, clerical and compliance support to the board. The Governor vetoed the bill. The Secretary of State's Office is polling the legislature to determine if the legislature will override the Governor's veto.

**HB 591** – This bill increases licensing fees for weighing devices that support costs of the program within the Business Standards Division.

**SB 410** – This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor's Office. The funding can be transferred at the Governor's discretion in the 2015 biennium to the following departments for operations costs:

- Governor's Office

- Public Health and Human Services
- Natural Resources and Conservation
- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base.

In addition, the bill contained a one-time-only appropriation of \$2.0 million general fund for the Department of Labor and Industry. The funding is to be transferred to the Department of Labor and Industry Operations Account within the state special revenue fund. The statutorily appropriated funds are to fund various operations costs of the department.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	756.58	752.58	751.58	(1.00)	752.58	751.58	(1.00)	
Estimated Impact of HB 2*			(31.44)	(31.44)		(31.44)	(31.44)	
<b>Net Estimated FTE*</b>			<b>720.14</b>	<b>(32.44)</b>		<b>720.14</b>	<b>(32.44)</b>	
Personal Services	40,122,529	43,265,007	42,238,374	(1,026,633)	43,309,143	42,288,058	(1,021,085)	(2,047,718)
Operating Expenses	21,438,114	22,921,975	22,905,751	(16,224)	23,040,631	23,017,418	(23,213)	(39,437)
Equipment & Intangible Assets	122,027	436,602	436,602	0	398,986	398,986	0	0
Grants	11,535,458	12,228,606	11,565,453	(663,153)	12,228,678	11,565,525	(663,153)	(1,326,306)
Benefits & Claims	91,464	91,464	91,464	0	91,464	91,464	0	0
Transfers	484,630	454,199	454,199	0	454,199	454,199	0	0
Debt Service	3,889	13,103	13,103	0	13,103	13,103	0	0
<b>Total Costs</b>	<b>\$73,798,111</b>	<b>\$79,410,956</b>	<b>\$77,704,946</b>	<b>(\$1,706,010)</b>	<b>\$79,536,204</b>	<b>\$77,828,753</b>	<b>(\$1,707,451)</b>	<b>(\$3,413,461)</b>
General Fund	1,474,826	2,646,492	1,285,371	(1,361,121)	2,647,416	1,311,124	(1,336,292)	(2,697,413)
State/Other Special	38,439,794	40,097,044	39,886,165	(210,879)	40,056,805	39,872,879	(183,926)	(394,805)
Federal Special	33,823,455	36,667,420	36,533,410	(134,010)	36,831,983	36,644,750	(187,233)	(321,243)
Proprietary	60,036	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$73,798,111</b>	<b>\$79,410,956</b>	<b>\$77,704,946</b>	<b>(\$1,706,010)</b>	<b>\$79,536,204</b>	<b>\$77,828,753</b>	<b>(\$1,707,451)</b>	<b>(\$3,413,461)</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislature did not approve a request to switch \$1.6 million from the employment security account to the general fund for the Jobs for Montana Graduates Program and career guidance and academic counseling programs, which are functions within the Research and Analysis Bureau. Instead, the Joint Appropriation Subcommittee on General Government requested that provisions be added to a bill to implement provisions of HB 2 to clarify that the employment security account may be used for these purposes. As discussed earlier in the narrative, HB 627 did not pass the legislature.

The legislature approved an executive request to provide for the purchase of equipment and update the metrology laboratory within the Business Services Division. However, the legislature passed HB 591 discussed above to increase the fees paid for licensing of weighing devices and appropriated the additional state special revenue funds for the request rather than use general fund.

The legislature approved a funding switch within the state special revenue fund for incumbent worker training, eliminating support from the employment security account and providing support from the worker training and economic development account. The legislature also approved a one-time-only funding switch for the Human Rights Bureau, using \$500,000 of available funding from federal reimbursements for investigations conducted by the office instead of general fund.

The legislature did not approve a request to add \$100,000 in general fund for personal services funding for 1.0 FTE for a grants coordinator to provide oversight for the AmeriCorps Grants.

The legislature approved additional vacancy savings of 2% for positions funded in HB 2 reducing personal service costs by \$1.8 million over the biennium including \$0.9 million in state special revenue and \$0.9 million of federal revenue.

**Language and Statutory Authority**

The legislature included the following language in HB 2.

"Weights and Measures Equipment (Restricted/Biennial) is contingent upon the passage and approval of House Bill No. 591."

"Employment Relations Division includes a reduction in state special revenue of \$520,391 in fiscal year 2014 and \$493,141 in fiscal year 2015 and federal special revenue of \$388,035 in fiscal year 2014 and \$416,258 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."